The Fiscal Monitor

A Publication of the Department of Finance

Highlights

June 2009: budgetary deficit of $5.0 billion

There was a budgetary deficit of $5.0 billion in June 2009, compared to a surplus of $1.6 billion recorded in June 2008. Revenues were down $2.7 billion, or 13.1 per cent, from June 2008, largely reflecting lower revenues from income taxes and the goods and services tax (GST). Program expenses increased by $4.2 billion, or 25.2 per cent, compared to June 2008, largely reflecting increased Employment Insurance (EI) benefit payments and the impact of support for the automotive industry. Public debt charges decreased $0.3 billion compared to June 2008 due to lower average effective interest rates.

April 2009 to June 2009: budgetary deficit of $12.5 billion

For the first three months of the 2009–10 fiscal year, the budgetary deficit stood at $12.5 billion, down $13.3 billion from the $0.8-billion surplus reported in the same period of 2008–09. Revenues decreased by $5.3 billion, or 9.1 per cent, mainly reflecting declines in personal and corporate income tax and GST revenues. Program expenses were up $8.5 billion, or 17.3 per cent, due primarily to higher transfer payments. Public debt charges were down $0.5 billion, on a year-over-year basis, reflecting lower interest rates.

Lower revenues and higher expenses also reflect the impact of measures announced under Canada's Economic Action Plan. The results for the first three months of the 2009–10 fiscal year are consistent with the update of the fiscal outlook for 2009–10 published in *Canada's Economic Action Plan: A Second Report to Canadians* on June 16, 2009, in which a budgetary deficit of $50.2 billion was projected for the fiscal year.

June 2009

There was a budgetary deficit of $5.0 billion in June 2009, compared to a $1.6-billion surplus in June 2008.

Revenues decreased by $2.7 billion, or 13.1 per cent, to $18.2 billion in June 2009.

- Personal income tax revenues decreased by $1.1 billion, or 11.0 per cent, due to the impact of tax relief measures, lower employment and the unwinding of timing factors associated with the April and May results.
- Corporate income tax revenues were down $0.8 billion, or 25.1 per cent, reflecting higher corporate refunds and weaker installment payments.
- Other income tax receipts—withholdings from non-residents—were down $0.1 billion, or 32.6 per cent.
- Excise taxes and duties were down $0.6 billion, or 15.9 per cent, driven by lower GST revenues. GST revenues were lower by $0.6 billion, or 25.1 per cent. By its nature as a value-added tax, the GST can yield volatile net collections on a month-to-month basis due to timing differences between the significant volumes of GST owed to the government and credits claimed for GST paid on inputs. As such, much of this weakness is expected to unwind in the coming months. Customs import duties were down $35 million, energy taxes were up $0.1 billion, other excise taxes and duties were up $33 million, and revenues from the Air Travellers Security Charge were down $4 million.
- EI premium revenues were up $40 million, or 2.6 per cent. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, sales of goods and services, returns on investments, foreign exchange revenues and miscellaneous revenues, were down $0.1 billion, or 6.1 per cent.

Program expenses in June 2009 were $20.7 billion, up $4.2 billion, or 25.2 per cent, from June 2008. This increase is largely attributable to higher EI benefit payments and the impact of support for the automotive sector.

In June 2009, transfer payments were up $3.6 billion, or 33.0 per cent, from June 2008

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, increased $0.6 billion, or 12.9 per cent. Elderly benefits increased $0.2 billion, or 6.1 per cent. EI benefit payments increased $0.4 billion, or 39.0 per cent, reflecting significantly higher regular benefits. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by $10 million.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were down $0.2 billion, or 5.1 per cent, reflecting the accelerated payment of the gas tax transfer on behalf of Canada's cities and communities in April of 2009–10.
- Subsidies and other transfers increased by $3.2 billion, largely reflecting the impact of support for the automotive industry.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses increased by $0.5 billion, or 9.6 per cent, over the prior year, due in part to a one-time adjustment in June 2009, based on revised estimates, to reflect an under-accrual of pension costs in April and May of 2009.

Public debt charges decreased $0.3 billion, or 9.0 per cent, compared to June 2008 due to lower average effective interest rates on the stock of interest bearing debt.

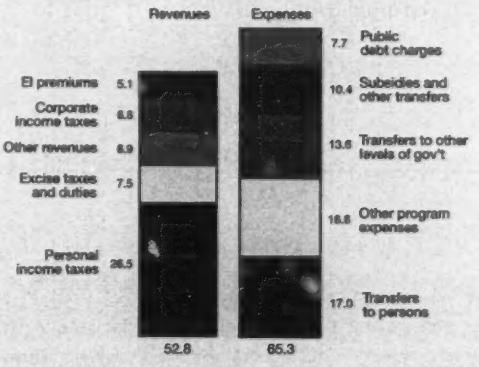
April 2009 to June 2009

Through the first three months of the 2009–10 fiscal year, there was a budgetary deficit of $12.5 billion, down $13.3 billion from the $0.8-billion surplus reported during the same period of 2008–09.

Revenues declined by $5.3 billion, or 9.1 per cent, to $52.8 billion.

- Personal income tax revenues were down $1.4 billion, or 4.9 per cent, reflecting the impact of tax relief measures and lower employment.
- Corporate income tax revenues were down $2.2 billion, or 24.1 per cent, reflecting a combination of higher refunds and lower installment payments.

Revenues and expenses
(April to June 2009)



- Other income tax receipts—withholdings from non-residents—were up $25 million, or 2.0 per cent.
- Excise taxes and duties were down $2.1 billion, or 22.2 per cent, primarily due to a $2.0-billion, or 32.6-per-cent, decline in GST revenues. This is a much larger decline than suggested by the expected decline in taxable consumption. By its nature as a value-added tax, the GST can yield volatile net collections on a month-to-month basis due to timing differences between the significant volumes of GST owed to the government and credits claimed for GST paid on inputs. Since results to date represent only three months, much of this weakness is expected to unwind in the coming months. Customs import duties were down $0.1 billion, energy taxes were up $15 million, other excise taxes and duties rose $21 million, and revenues from the Air Travellers Security Charge declined by $5 million.
- Employment insurance premium revenues were up $0.1 billion, or 2.6 per cent. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009.
- Other revenues rose $0.2 billion, or 3.8 per cent.

Program expenses from April to June 2009 were $57.6 billion, up $8.5 billion, or 17.3 per cent, from the same period the previous year, reflecting increases in transfer payments and operating expenses of National Defence.

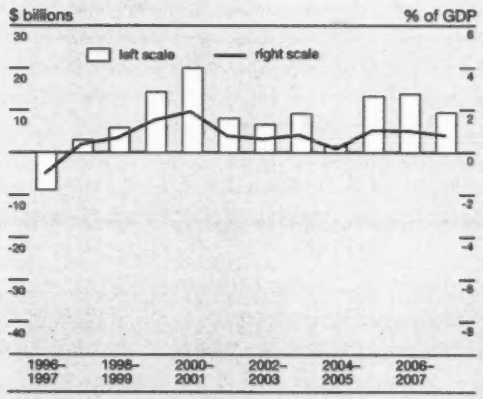
From April to June, transfer payments increased $8.1 billion, or 24.7 per cent, from the same period last year.

- Major transfers to persons were up $2.2 billion, or 14.7 per cent, year-to-date. Elderly benefits increased $0.5 billion, or 5.7 per cent, in line with growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased $1.7 billion, or 46.9 per cent, reflecting higher unemployment and benefit enhancements introduced as part of Canada's Economic Action Plan. Children's benefits were up $16 million compared to the same period last year.
- Major transfers to other levels of government were up $1.4 billion, or 11.2 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization, as well as the previously announced doubling of the gas tax transfer to provinces and municipalities, as of April 1, 2009.
- Subsidies and other transfers were up $4.6 billion, or 78.6 per cent, mainly reflecting the impact of support for the automotive industry.

Other program expenses increased by $0.4 billion, or 2.4 per cent, from last year's level.

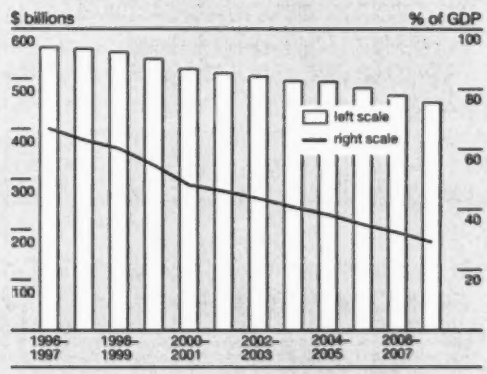
Public debt charges decreased $0.5 billion, or 6.3 per cent, as the increase in the stock of interest bearing debt was more than offset by lower average effective interest rates on that stock.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

Financial requirement of $33.0 billion for April to June 2009

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $12.5 billion and a requirement of $20.4 billion from non-budgetary transactions, there was a financial requirement of $33.0 billion in the April to June period of 2009–10 compared to a financial requirement of $19.6 billion from the same period the previous year. This year-over-year difference is due mainly to the deterioration in the budgetary balance.

Net financing activities up $7.9 billion

The government financed this financial requirement of $33.0 billion by increasing market debt by $7.9 billion and reducing cash balances by $25.1 billion. The increase in market debt was achieved largely through the issuance of marketable bonds. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of June 2009 stood at $20.0 billion, $15.5 billion above their level at the end of June 2008.

Table 1
Summary statement of transactions

	June		April to June	
	2008	2009	2008–09	2009–10
		($ millions)		
Budgetary transactions				
Revenues	20,961	18,224	58,062	52,767
Expenses				
Program expenses	-16,523	-20,679	-49,081	-57,593
Public debt charges	-2,794	-2,542	-8,212	-7,696
Budgetary balance (deficit/surplus)	1,644	-4,997	769	-12,522
Non-budgetary transactions	-8,553	-14,867	-20,364	-20,434
Financial source/requirement	-6,909	-19,864	-19,595	-32,956
Net change in financing activities	-2,050	16,221	12,813	7,876
Net change in cash balances	-8,959	-3,643	-6,782	-25,080
Cash balance at end of period			4,461	19,951

Notes: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Budgetary revenues

	June			April to June		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	10,009	8,906	-11.0	27,859	26,497	-4.9
Corporate income tax	3,257	2,440	-25.1	8,959	6,803	-24.1
Other income tax	439	296	-32.6	1,280	1,305	2.0
Total income tax	13,705	11,642	-15.1	38,098	34,605	-9.2
Excise taxes and duties						
Goods and services tax	2,569	1,925	-25.1	6,254	4,213	-32.6
Customs import duties	350	315	-10.0	959	833	-13.1
Energy Taxes	388	445	14.7	1,190	1,205	1.3
Other excise taxes and duties	389	422	8.5	1,120	1,141	1.9
Air Travellers Security Charge	37	33	-10.8	111	106	-4.5
Total excise taxes and duties	3,733	3,140	-15.9	9,634	7,498	-22.2
Total tax revenues	17,438	14,782	-15.2	47,732	42,103	-11.8
Employment Insurance premiums	1,542	1,582	2.6	4,954	5,082	2.6
Other revenues	1,981	1,860	-6.1	5,376	5,582	3.8
Total budgetary revenues	20,961	18,224	-13.1	58,062	52,767	-9.1

Note: Totals may not add due to rounding.

Table 3
Budgetary expenses

	June			April to June		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,721	2,888	6.1	8,126	8,588	5.7
Employment Insurance benefits	1,148	1,596	39.0	3,630	5,331	46.9
Children's benefits	994	1,004	1.0	3,036	3,052	0.5
Total	4,863	5,488	12.9	14,792	16,971	14.7
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,885	2,040	8.2	5,657	6,119	8.2
Canada Social Transfer	879	905	3.0	2,639	2,715	2.9
Total	2,764	2,945	6.5	8,296	8,834	6.5
Fiscal transfers	1,237	1,320	6.7	4,136	4,497	8.7
Canada's cities and communities	475	0	n/a	475	957	101.5
Alternative Payments for Standing Programs	-219	-224	2.3	-658	-672	2.1
Total	4,257	4,041	-5.1	12,249	13,616	11.2
Subsidies and other transfers						
Agriculture and Agri-Food	65	103	58.5	209	274	31.1
Foreign Affairs and International Trade	129	132	2.3	611	720	17.8
Health	156	266	70.5	536	696	29.9
Human Resources and Skills Development	468	509	8.8	693	738	6.5
Indian Affairs and Northern Development	306	492	60.8	1,342	1,485	10.7
Industry	214	199	-7.0	445	390	-12.4
Other	528	3,382	540.5	1,982	6,090	207.3
Total	1,866	5,083	172.4	5,818	10,393	78.6
Total transfer payments	10,986	14,612	33.0	32,859	40,980	24.7
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	93	88	-5.4	279	263	-5.7
Canada Mortgage and Housing Corporation	192	207	7.8	626	501	-20.0
Other	342	358	4.7	1,205	1,303	8.1
Total	627	653	4.1	2,110	2,067	-2.0
Defence	1,263	1,555	23.1	3,865	4,264	10.3
All other departments and agencies	3,647	3,859	5.8	10,247	10,282	0.3
Total other program expenses	5,537	6,067	9.6	16,222	16,613	2.4
Total program expenses	16,523	20,679	25.2	49,081	57,593	17.3
Public debt charges	2,794	2,542	-9.0	8,212	7,696	-6.3
Total budgetary expenses	19,317	23,221	20.2	57,293	65,289	14.0

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement

	June		April to June	
	2008	2009	2008–09	2009–10
		($ millions)		
Budgetary balance (deficit/surplus)	1,644	-4,997	769	-12,522
Non-budgetary transactions				
Capital investing activities	-278	-397	-349	-219
Other investing activities	-2,464	-5,045	-9,974	-9,507
Pension and other liabilities	315	916	1,144	1,750
Other activities				
Accounts payable, receivables, accruals and allowances	-4,850	-5,041	-10,585	-12,830
Foreign exchange activities	-1,560	-5,604	-1,457	-538
Amortization of tangible capital assets	284	304	857	910
Total other activities	-6,126	-10,341	-11,185	-12,458
Total non-budgetary transactions	-8,553	-14,867	-20,364	-20,434
Financial source/requirement	-6,909	-19,864	-19,595	-32,956

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities

	June		April to June	
	2008	2009	2008–09	2009–10
		($ millions)		
Financial source/requirement	-6,909	-19,864	-19,595	-32,956
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-6,512	2,200	-1,085	11,554
Treasury bills	2,300	9,500	13,600	-1,000
Canada Savings Bonds	-38	99	-59	160
Other	-222	-58	-367	-64
Total	-4,472	11,741	12,089	10,650
Foreign currency borrowings	1,123	1,882	670	-1,015
Total	-3,349	13,623	12,759	9,635
Cross-currency swap revaluation	1,373	2,512	81	-1,946
Unamortized discounts on debt issues	-58	97	30	239
Obligations related to capital leases	-16	-11	-57	-52
Net change in financing activities	-2,050	16,221	12,813	7,876
Change in cash balance	-8,959	-3,643	-6,782	-25,080

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Phil King at 613-992-3448.
Ce document est également offert en français.
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